

**DEPARTMENT OF ECONOMIC SECURITY
FISCAL YEAR 2009 BUDGET REDUCTIONS**

DEPARTMENT-WIDE

Layoffs – Funding reductions require that the Department reduce its overall staffing levels. These reductions are anticipated to be achieved through attrition and staff reductions. This will reduce the agency's ability to handle growing workloads timely and diminish overall agency performance. Instances in which these effects may result in non-compliance with state and federal requirements are included in the Division-specific sections below.

Unpaid Furloughs – All uncovered staff, including all senior management, are furloughed for a total of nine days by June 30, 2009. Covered staff are furloughed up to nine days depending on grade level. Staff in certain 100 percent federally funded programs, such as Unemployment Insurance, are not included in the furlough. As with layoffs, furloughs will negatively impact the agency's performance; instances in which the Department may become non-compliant with various requirements are discussed below.

Other operating reductions – Over the past year-and-a-half, the Department has reduced operating costs, including those associated with travel, equipment, supplies, salary adjustments for specialized work, and tuition assistance. A number of other initiatives, from evaluating cellular phone plans to consolidating office space, are ongoing.

	General Fund	All Funds
ADMINISTRATIVE SUPPORT		
• <i>Operating</i> – Savings result from reductions related to overtime, travel, purchasing, furloughs, the year-long hiring freeze, and further reductions in staff.	1,811,000	3,853,200
• <i>Eliminate Disaster Recovery Contract</i> – The appropriation for disaster recovery established in fiscal year 2005 will be eliminated. The Department will not renew its contract for disaster recovery services, which provides for electronic data back-up in case of a disaster (e.g. flood, fire, etc.), when it expires in February 2009. Without these services, data restoration will take weeks if a catastrophic disaster occurs rather than days.	90,500	192,500
• <i>Delay Document Management Efforts</i> – With the elimination of the dedicated appropriation established in fiscal year 2008, most projects to move from a paper-based to electronic document management system will be postponed indefinitely.	420,000	893,600
• <i>Other Information Technology Reductions</i> – Software applications and maintenance agreements that are not required to access applications have been reduced or eliminated and planned replacements of failover equipment used to protect against data loss and system downtime have been cancelled.	310,200	660,000
Total	2,631,700	5,599,300

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	<u>General Fund</u>	<u>All Funds</u>
AGING AND ADULT SERVICES		
<ul style="list-style-type: none"> • <i>Operating</i> – Savings result from reductions related to overtime, travel, purchasing, furloughs, and staffing reductions. As a result of furlough and staff reductions Adult Protective Services will likely not be able to investigate 100 percent of reports of abuse and neglect of vulnerable adults. Though not statutorily mandated, the Legislature appropriated funding to achieve a 100 percent investigation rate in fiscal year 2007. 	336,700	336,700
<ul style="list-style-type: none"> • <i>Eliminate Lifespan Respite Care</i> – The elimination of funding for this program established in fiscal year 2008 will result in the loss of respite services for approximately 130 caregivers. 	350,000	350,000
<ul style="list-style-type: none"> • <i>Independent Living Support for the Elderly and Vulnerable Adults (Area Agencies on Aging Reductions)</i> – Funding contracted to Arizona’s eight regional Area Agencies will be reduced, rolling back a portion of the \$7.5 million General Fund increase since fiscal year 2007 and reducing appropriated funding to \$16.9 million. The reduction will eliminate independent living services for approximately 450 Arizonans over the age of 60. Funding will be prioritized so that those with the most severe needs receive services. An estimated 17,500 individuals will receive assistance this year. 	2,061,000	2,061,000
<ul style="list-style-type: none"> • <i>Grandparent Kinship Care</i> – This \$1 million program was established in fiscal year 2007. The reduction will result in approximately 100 grandparents losing a \$75 monthly stipend that helped them take care of the grandchildren that live with them. An estimated 1,200 grandparents will receive assistance this year. 	52,300	52,300
Total	2,800,000	2,800,000
<hr/> ARIZONA EARLY INTERVENTION PROGRAM (AZEIP)		
<ul style="list-style-type: none"> • <i>Operating</i> – Reductions to the program could lead to non-compliance with the Department’s corrective action plan with the federal Department of Education. 	32,500	32,500

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<ul style="list-style-type: none"> • <i>Service reductions</i> – The appropriation for AzEIP established in fiscal year 2009 will be eliminated, requiring that the program rely on its \$9.9 million federal grant. Contracts for screening, early intervention services, and technical assistance will be reduced by a minimum of 36 percent for the remainder of the year. As a result, the program will not be able to screen all referred infants and toddlers for developmental delays and 850 children will either experience a reduction or lose access to therapy and other services. Additionally, funding passed through to the Arizona State Schools for the Deaf and the Blind will be reduced by 36 percent or \$58,100. 	1,608,800	1,608,800
Total	1,641,300	1,641,300
<hr/> BENEFITS AND MEDICAL ELIGIBILITY		
<ul style="list-style-type: none"> • <i>Operating</i> – In addition to reductions related to overtime, travel, purchasing, and furloughs, the Division is reducing the number of staff by as many as 600 people. This loss of staffing, coupled with other reductions and growing caseloads, will result in decreased timeliness and accuracy in eligibility determinations for food stamps, cash assistance, and Medicaid benefits, which will eventually lead to federal sanctions. 	6,965,000	12,766,400
<ul style="list-style-type: none"> • <i>Reduce Cash Assistance benefit</i> –Cash Assistance benefits will be cut by 20 percent, from an average of about \$263 per month to \$210, effective March 1 for the 38,500 families (including child-only cases) in the program. 	7,386,900	7,386,900
<ul style="list-style-type: none"> • <i>Reduce Tribal Pass-Through</i> – For Tribes that have opted to operate their own TANF programs, the historic General Fund spending associated with each Tribe is passed through and the Tribes use the funding to meet federal maintenance of effort requirements. The six Tribes that operate their own programs are Navajo, San Carlos Apache, White Mountain Apache, Pascua Yaqui, and Hopi; reductions range from \$5,000 to \$155,700. 	342,200	342,200

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<ul style="list-style-type: none"> • <i>Eliminate General Assistance</i> – The Legislature repealed the General Assistance program effective May 2, 2009, eliminating an average monthly benefit of \$150 for 1,500 disabled adults awaiting an eligibility determination from the Social Security Administration. Due to a lack of funding in the program, the Department will not pay any further benefits. Clients are being notified that February was their last payment. 	316,800	316,800
<ul style="list-style-type: none"> • <i>Eliminate Eligibility System Upgrade Initiative</i> – The procurement for this upgrade has been cancelled and the Department will continue to utilize existing, but separate and outdated, eligibility and case management systems for the family assistance, Jobs, and child care programs. 	6,112,400	8,345,200
Total	21,123,300	29,157,500
<hr/> CHILD SUPPORT ENFORCEMENT		
<ul style="list-style-type: none"> • <i>Operating</i> – In addition to reductions related to overtime, travel, purchasing, and furloughs, the Division is reducing its staffing by approximately 20 people. The overall reduction will reduce the Division's ability to maintain child support collections and state revenues associated with collections. 	1,479,700	2,952,900
<ul style="list-style-type: none"> • <i>Reduce Sharing of Incentive Funds with Counties</i> – Four counties (Gila, La Paz, Navajo, and Pinal Counties) are responsible for the operation of their own child support programs. The Department has historically shared federal incentive funds that are earned with these counties, but will reduce these payments by 10 percent, from approximately \$150,000 to \$135,000 per quarter. 	45,000	45,000
Total	1,524,700	2,997,900
<hr/> CHILDREN, YOUTH AND FAMILIES		
<ul style="list-style-type: none"> • <i>Operating</i> – Staff furloughs, a ninety percent reduction in overtime, and a reduction in staff will prevent the Division from investigating 100 percent of reports of child abuse and neglect. Some priority 4 (potential risk) reports will not be investigated. Though not statutorily required, there is a budget footnote that notes legislative intent that all reports be investigated. Additionally, visitations required by state and federal law will not occur or not occur timely. Total savings include reductions related to overtime, travel, purchasing, and furloughs. 	7,075,000	8,099,600

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	General Fund	All Funds
<ul style="list-style-type: none"> • <i>Reduce In-Home Services and Supportive Services for Children in Out-of-Home Care</i> – Effective in February and March 2009, the Department will reduce or eliminate a number of in-home services for families designed to address risk factors so that removal of the child does not later become necessary. Supportive services for families with children in out-of-home care will also be reduced, delaying reunifications. Impacted contracts include in-home services, receiving and transition centers, parent aide services, counseling, mentoring programs, and transportation. These reductions are somewhat greater than the \$13.8 million supplemental for fiscal year 2008 that carried into fiscal year 2009. More than 4,000 families will see reductions or eliminations in in-home and supportive services. 	15,918,700	15,990,700
<ul style="list-style-type: none"> • <i>Reduce Foster Family Rates and Supports</i> – Effective March 1, 2009, foster care rates for 4,500 children in family foster care will be reduced by 20 percent, from an average of \$910 to \$728 per month. Additionally, other allowances, for items such as clothing, diapers, and camp, will be reduced or eliminated. 	3,208,300	4,119,500
<ul style="list-style-type: none"> • <i>Reduce Substance Abuse Funding</i> – Service contracts will be reduced, eliminating treatment for 1,400 individuals involved in the child welfare system. Since fiscal year 2004, funding has increased by \$5 million. More than 3,000 individuals will receive some services this year. 	762,500	762,500
<ul style="list-style-type: none"> • <i>Reduce Independent Living Stipends</i> – In fiscal year 2008, \$1 million was appropriated to increase independent living stipends for children aging out of foster care from \$558 to \$795, the first increase in over 20 years. Effective March 1, stipends will be reduced by 10 percent, to \$715, for the 400 youth receiving this assistance to help them transition to adulthood. 	127,200	127,200
<ul style="list-style-type: none"> • <i>Eliminate Certain Shelter Contracts</i> – The Department will eliminate block-purchased shelter beds in rural communities, which may limit the availability of emergency placements in these areas. 	108,000	108,000
<ul style="list-style-type: none"> • <i>Healthy Families Reductions</i> – Appropriated funding for the program will be eliminated and service contracts will be reduced. Preventative services for more than 3,500 families and training and evaluation contracts will be eliminated. 	10,750,000	10,750,000

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	General Fund	All Funds
<ul style="list-style-type: none"> • <i>Eliminate Homeless Youth Contracts</i> – The Department’s two contracts for outreach to homeless youth in Maricopa and Pima Counties will be eliminated on March 1, affecting 42 youths. 	133,300	133,300
<ul style="list-style-type: none"> • <i>Reduce Adoption/ Family Preservation Projects</i> – Effective March 1, support group, counseling, and crisis intervention services for adoptive families will be reduced. 	875,000	875,000
Total	38,958,000	40,965,800
<hr/> COMMUNITY SERVICES		
<ul style="list-style-type: none"> • <i>Operating</i> – Savings result from reductions related to overtime, travel, purchasing, furloughs, and further reductions in staff. 	1,425,400	1,445,400
<ul style="list-style-type: none"> • <i>Reduce Domestic Violence Funding</i> – The Department will reduce contracts with emergency shelter providers, rolling back a portion of the \$7.3 million appropriated funds increase since fiscal year 2006. The reduction in capacity will result in an increase in the number of victims of domestic violence being denied shelter when they request it. 	TBD	TBD
<ul style="list-style-type: none"> • <i>Reduce Homeless Program Funding</i> – Appropriated funding will be reduced to \$2.5 million (excluding an anticipated \$1 million Lottery distribution). Shelter contracts will be reduced, resulting in approximately 1,100 victims of homelessness being unable to access shelter. An estimated 14,200 individuals will receive shelter this year. 	282,300	282,300
<ul style="list-style-type: none"> • <i>Reduce Hunger Program Funding</i> – A portion of the \$228,000 General Fund increase in fiscal year 2008 will be rolled back, reducing appropriated funding to \$1.8 million. Contracts with food banks to transport and provide food will be reduced. 	167,600	167,600
<ul style="list-style-type: none"> • <i>Reduce Community and Emergency Services Funding</i> – Appropriated funding will be reduced to \$4.8 million. Contracts with Community Action Agencies will be reduced, eliminating funding for short term crisis services for over 1,000 families. 	636,500	636,500
Total	2,511,800	2,531,800

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	General Fund	All Funds
DEVELOPMENTAL DISABILITIES		
<ul style="list-style-type: none"> • <i>Operating</i> – In addition to reductions related to overtime, travel, purchasing, and furloughs, the Division is reducing its staffing by approximately 100 people. Case managers' caseloads will exceed the 1:39.5 ratio included in the Department's contract with AHCCCS. The Division will not be able to comply with case management, timeliness, monitoring, medical, quality management, and business deliverable requirements. 	3,145,300	6,233,800
<ul style="list-style-type: none"> • <i>Suspend Non-Residential State-Only Services</i> – Effective in March, the Department will suspend all non-residential home and community based services for individuals with developmental disabilities who do not qualify for the ALTCS program. 93 percent of the children and adults receiving state-only services – more than 4,000 individuals - will lose all of their services such as therapies, habilitation, employment supports, after school and summer programs, attendant care, respite and transportation. 	6,231,600	6,231,600
<ul style="list-style-type: none"> • <i>Reduce Provider Rates</i> – Effective March 1, the Department will reduce rates for 850 agency and 3,500 independent providers of home and community-based (HCBS), institutional, and acute services by 10 percent. Since fiscal year 2005, HCBS rates have increased by about 22 percent. In addition, the Department will to address group-home capacity issues and lower enhanced rates for specialized habilitation-communication, specialized habilitation-music, community protection, behavioral health, and day treatment and training. 	10,576,400	30,655,700
Total	19,953,300	43,121,100
EMPLOYMENT AND REHABILITATION SERVICES (INCLUDES CHILD CARE)		
<ul style="list-style-type: none"> • <i>Operating</i> – Savings result from reductions related to overtime, travel, purchasing, furloughs, and reductions in staff. Reductions will ultimately reduce staffing in the Jobs, rehabilitation services, and child care programs, which will result in fewer individuals receiving assistance in finding and maintaining employment. 	2,433,000	7,557,500

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<ul style="list-style-type: none"> • <i>Eliminate Jobs Surplus and Reduce Vendors' Contracts</i> – In addition to a \$4.1 million surplus, the vendors that assumed responsibility for the program in the Fall of 2007 will have their contracts reduced by approximately \$2 million, or eight percent. 	6,100,000	6,100,000
<ul style="list-style-type: none"> • <i>Child Care Waiting List</i> – Effective February 18, 2009, the Department will place new applicants for child care assistance, excluding those receiving Cash Assistance or transitioning from Cash Assistance to employment and families involved in the child welfare system, on a waiting list. An estimated 5,100 children will be on the waiting list by June 30. 	2,500,000	2,500,000
<ul style="list-style-type: none"> • <i>Suspend Child Care Assistance for Families with Income Above 110 Percent of the Federal Poverty Level</i> – Effective March 1, 2009, the Department will also suspend child care assistance to approximately 15,000 low-income working families earning between 110 percent and 165 percent of the federal poverty level (\$19,400 to \$29,000 for a family of three). After the waiting list for new applicants and the reduction of children currently in services, an estimated 29,000 children will be receiving assistance at fiscal year end. 	17,500,000	17,500,000
<ul style="list-style-type: none"> • <i>Increase Child Care Co-Payments</i> – Effective March 1, the Department will increase low-income working families' required co-payments for child care assistance. Co-payments are set on a sliding scale according to family income and range from \$1 to \$10 per day for the first child receiving full-day care. Currently, there is a discount for the second, third, and subsequent children receiving assistance. This discount will be removed, affecting 20,000 families. 	1,300,000	1,300,000
<ul style="list-style-type: none"> • <i>Reduce Child Care Provider Rates</i> – Effective March 1, the Department will roll-back the provider rate increase included in the fiscal year 2008 budget. This will take rates back to the 75th percentile of the 2000 market rate survey. The five percent decrease will affect 6,500 contracted providers. 	3,000,000	3,000,000

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	General Fund	All Funds
• <i>Vocational Rehabilitation Waiting List</i> – Effective March 16, 2009 the Department will implement a waiting list for new applicants for vocational rehabilitation services. An estimated 2,100 individuals will be on the waiting list on June 30. Approximately 14,000 individuals are currently receiving services. The reduction, coupled with already adopted cuts, rolls back the \$1.9 million increase appropriated in fiscal year 2007.	1,246,600	5,852,800
• <i>Independent Living Waiting List</i> - Effective March 16, 2009, the Department will implement a waiting list for Independent Living services for people with disabilities. Eligible applicants will be placed on a waiting list, which is projected to grow to 400 by June 30.	41,000	41,000
Total	34,120,600	43,851,300
GRAND TOTAL	125,264,700	172,666,000